RioCan Annual Report 2001

RIO CAN

RioCan Real Estate Investment Trust

the real essentials of Success

RioCan's purpose is to deliver to its unitholders stable and reliable cash distributions, which continually increase over time.

RioCan is Canada's largest real estate investment trust with total assets of approximately $2.7 billion. It has ownership interests in a portfolio of 144 retail properties across Canada containing an aggregate of well over 22 million square feet of gross leasable area.

the essentials of Value | Financial Strength | Retail Real Estate | Life | Quality Operations | Continued Success | Development |

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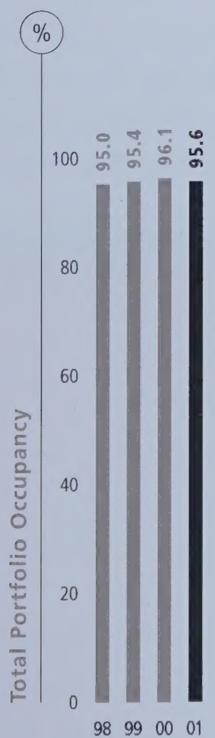
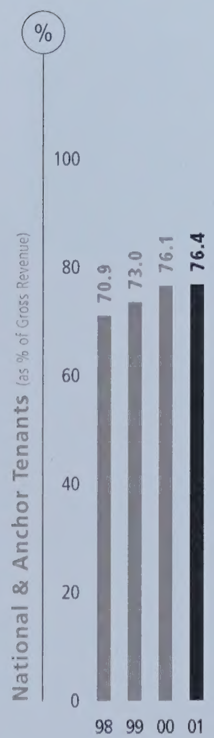
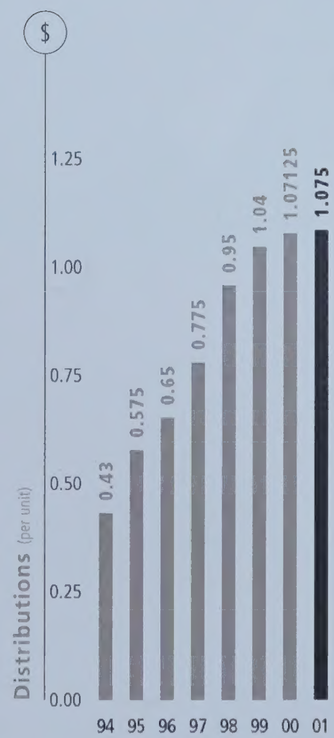
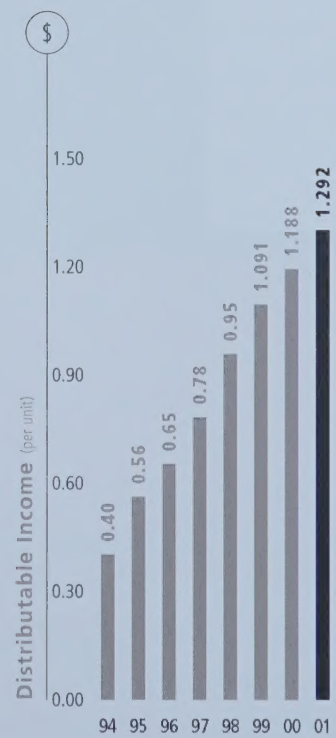
Financial Highlights

	2001	2000
Rental revenue	$ 343,825,000	$ 301,394,000
Net earnings	$ 159,468,000	$ 121,814,000
Distributable income	$ 185,603,000	$ 156,205,000
Distributable income per unit	$ 1.292	$ 1.188
Distributions to unitholders	$ 1.075	$ 1.07125
Total assets	$ 2,707,627,000	$ 2,414,514,000
Unitholders' equity	$ 1,212,451,000	$ 1,160,517,000
Units outstanding:		
Weighted average for the year	143,588,000	131,150,000
As at December 31	146,669,000	141,773,000









the essentials of **Strength**

Edward Sonshine, Q.C. President and Chief Executive Officer

A Year of Essential Transition and Growth | In 2001, RioCan significantly enhanced its position as Canada's largest REIT. By every measure – size, scope, commanding presence in the country's best markets, industry-leading dominance in new format centres, portfolio growth and financial performance – RioCan has achieved top marks in the industry.

Just as the events of September 11, 2001, brought North Americans back to the essentials of life – underlining the importance of family, security and basic human decency – RioCan continued to focus on the essentials that have rapidly elevated us into Canada's dominant REIT. At the same time, we evolved – taking complete control of our operations while continuing to develop new sources of capital.

The evidence is clear in our results: once again, RioCan has broken records for increases in revenue, earnings, distributable income and portfolio growth. In a normal year, our results would not be that surprising – after all, in the eight years since RioCan began, we have grown by over 1,970% in asset size and have grown distributable income by over 4,676% – but 2001 was far from a normal year. That we were so successful in such a difficult economic environment speaks powerfully to our essential strengths: quality properties, tenants, management, relationships and financial stewardship. You will read more about the real essentials of RioCan's success in the pages following this message. Let me confine my message to the essential highlights.

Essential Size Being the dominant Canadian REIT makes it easier for us to do business with the best in the business. The ease with which we placed $125 million in unsecured debentures this past January, while leaving unsatisfied demand in the market is proof of that and of RioCan's recognized ability to source capital that others cannot. The issue was underwritten by RBC Capital Markets and was the first unsecured debenture transaction successfully completed by a real estate entity in Canada in the last several years and is a mark of our size and stability.

Essential Evolution With the 2001 internalization of property management, we have once again substantively changed the nature of RioCan. Just two years ago, RioCan comprised 30 employees; today nearly 400 retail real estate professionals make up the RioCan team. Your REIT is now a completely full-service real estate entity. By assuming control of property management, we prevent profit leakage and gain economic advantages; develop much closer relationships with our tenants; and raise our profile with current and potential tenants as well as the general public.

Essential Alliances This past year, we took another dramatic step by entering into a strategic alliance with Kimco Realty Corporation, the largest community shopping centre REIT in the United States with interests in 513 properties encompassing 68 million square feet. Kimco formalized their relationship with us by making a small equity investment of just over $26 million dollars in RioCan. Our organizations initially committed $50 million each to a joint venture aimed at acquiring or developing properties in Canada, sourced and managed by RioCan.

Within 90 days after inception, we completed our first joint venture acquisition, purchasing a portfolio of four shopping centres in British Columbia aggregating almost 1 million square feet. We expect that the joint venture will have acquired over $500 million of high quality, well located shopping centres by mid-2002.

The fact that we provide all management and leasing services to the joint venture permits us to earn enhanced returns on our equity in every investment thereby allowing us to grow our income base without increasing our reliance on the equity markets.

Our strategic alliance with Kimco also allows us to expand the scope of our tenant offerings. Now we can bring North American scale solutions to tenants' location needs regardless of where in the world they are currently based.

Essential Financial Growth Early in 2001, our unitholders approved an increase in RioCan's permitted leverage to 60% with a commitment that we would stay below 55%. In August, the leverage increase was also approved by the holders of our unsecured debentures. We are now able to further develop our strategy of growing distributable income from operations without compromising the high quality of RioCan's portfolio. I should point out, however, that at the end of 2001, our leverage ratio stood at 48%. Our debt ratios and permitted

maximums are calculated against historic cost, rather than the current value of our portfolio, which is significantly higher than cost due to our value-added activities and new developments of the last several years.

Essential Measure of Success: Distributable Income This year, we once again extended our record for double-digit increases with 19% growth in distributable income based on strong results in every aspect of our business. Rental revenue increased by 14% and our cash flows from operations increased by 15%.

Essential Portfolio Expansion RioCan does not grow for growth's sake but, rather, to add to our assured and escalating cash flows over the long term. 2001 was another strong growth year for your REIT. Our portfolio grew from 18.8 million square feet at the end of 2000 to 21.9 million square feet at the end of 2001. Our asset base increased to $2.7 billion from $2.4 billion the previous year.

As we move into the future, RioCan will continue to expand our portfolio by judiciously adding dominant properties in prime markets that fit our profiles for retail real estate success that have been demonstrably proven over time: neighbourhood community shopping centres and new format retail locations anchored by grocery stores and other essential retail destinations in the lives of the vast majority of Canadians.

Essential Returns In the eight years since RioCan first appeared on the Canadian retail real estate scene, your REIT has achieved 223% growth in distributable income per unit. Over that period, our five-year aggregate return was 138% and our compounded annual return has been 22%. In 2001, we delivered a 43% total return to our investors – far above the industry average of 23%.

We have made remarkable strides and will continue to do so by adhering to a strategy based on these essentials: income stability, market focus, management excellence, value creation and financial discipline.

As Canada's dominant retail real estate REIT, with a strong financial foundation, invaluable tenant relationships and an industry-leading management team, RioCan is in a very enviable position. But we do not intend to stop here. Our twin enemies are complacency and arrogance. We exist to provide safe and reliable cash flows to our unitholders – and we will never be complacent about that. We exist to serve our tenants – and we will never diminish our commitment to each RioCan tenant. We will continue to build on our strong foundation by adhering to the real essentials of success.

As always, my most profound thanks to our unitholders, Board of Trustees and the people of RioCan. Your vision, support and dedication are the engines that drive RioCan's record of achievement.

Edward Sonshine, Q.C.
President and Chief Executive Officer

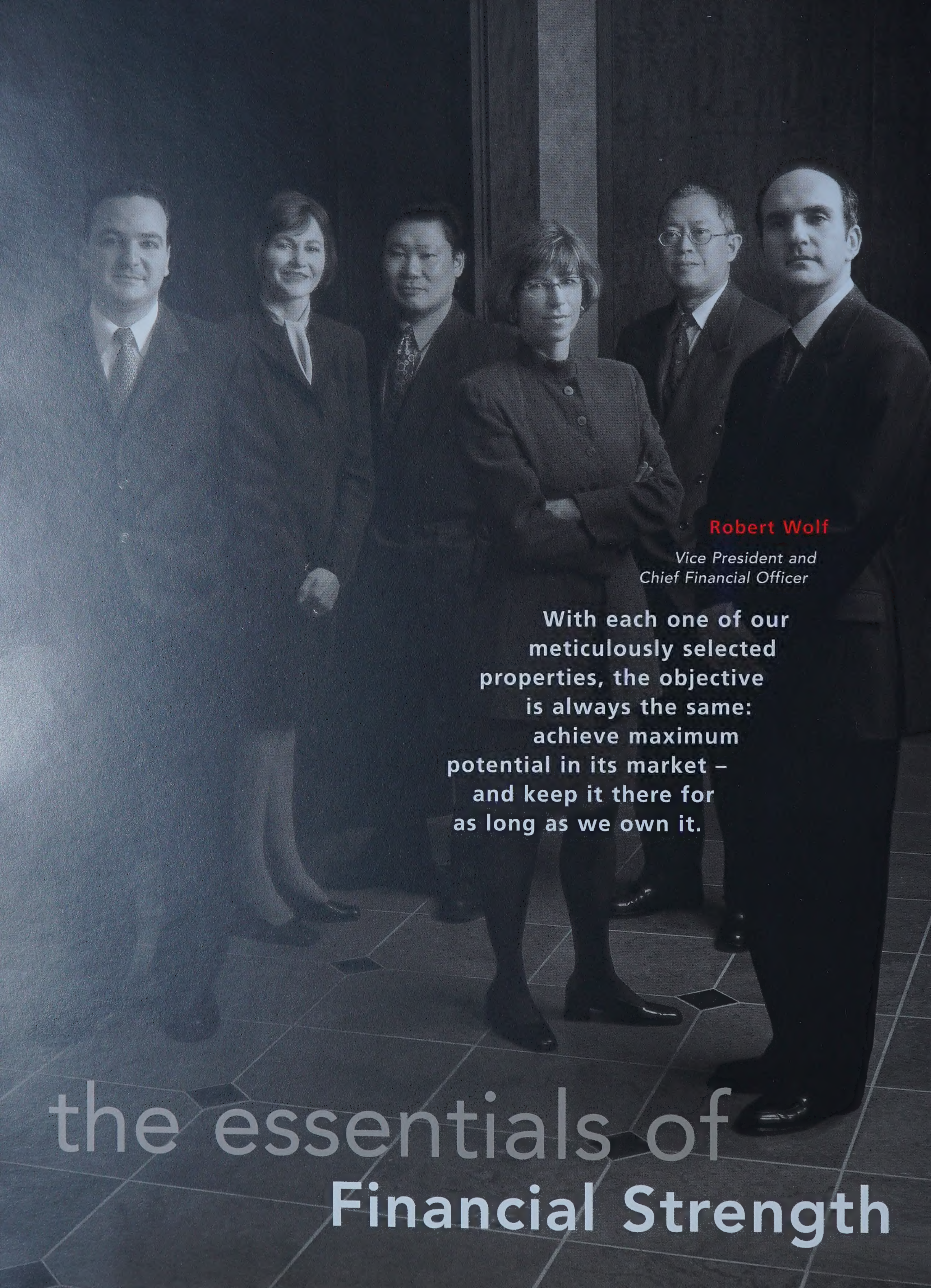
RioCan Real Estate Investment Trust
March 31, 2002

the essentials of Value

Edward Sonshine, Q.C.

President and Chief Executive Officer

RioCan has acquired and developed the largest portfolio of REIT-owned retail real estate in Canada through a value-added focus on Canada's strongest markets and most essential retail formats.

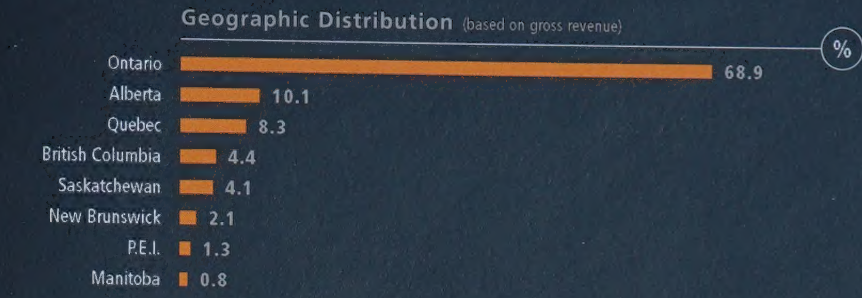


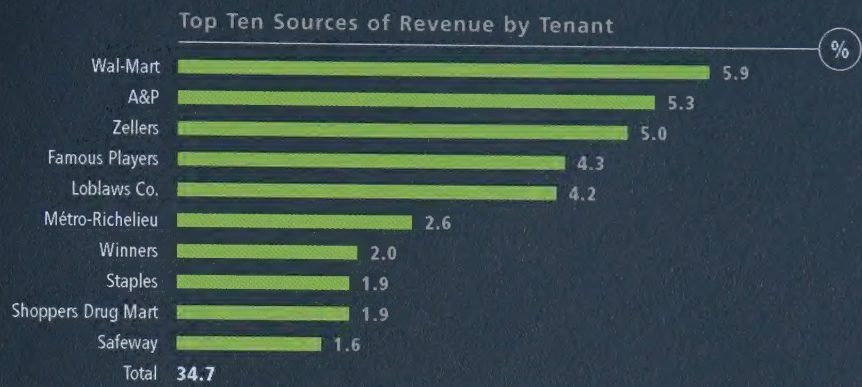
Robert Wolf

Vice President and Chief Financial Officer

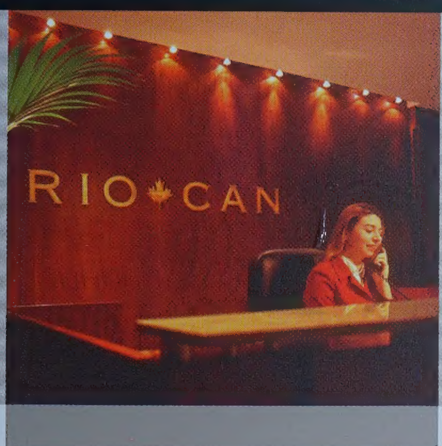
With each one of our meticulously selected properties, the objective is always the same: achieve maximum potential in its market – and keep it there for as long as we own it.

the essentials of **Financial Strength**





the essentials of **Financial Strength**



RioCan is Canada's largest real estate investment trust – by far. Our assets total more than $2.7 billion and our portfolio of 144 retail properties across Canada contains an aggregate of well over 22 million square feet of gross leasable area.

Size is important, of course. It gives us the scale to achieve accretive efficiencies, the scope to attract North America's strongest retailers, the financial strength to acquire market-dominating locations at below-market prices, and the profile that encourages the leaders of the real estate, development and financial worlds to do business with us.

But growth for growth's sake is not our strategy. RioCan focuses on both "traditional" neighbourhood shopping centres and "leading edge" new format retail properties. And even in our new format centres, we stick with the essentials: most are anchored by a large food store – because we know from our neighbourhood shopping centre successes that, regardless of today's retailing trends, people will always need groceries.

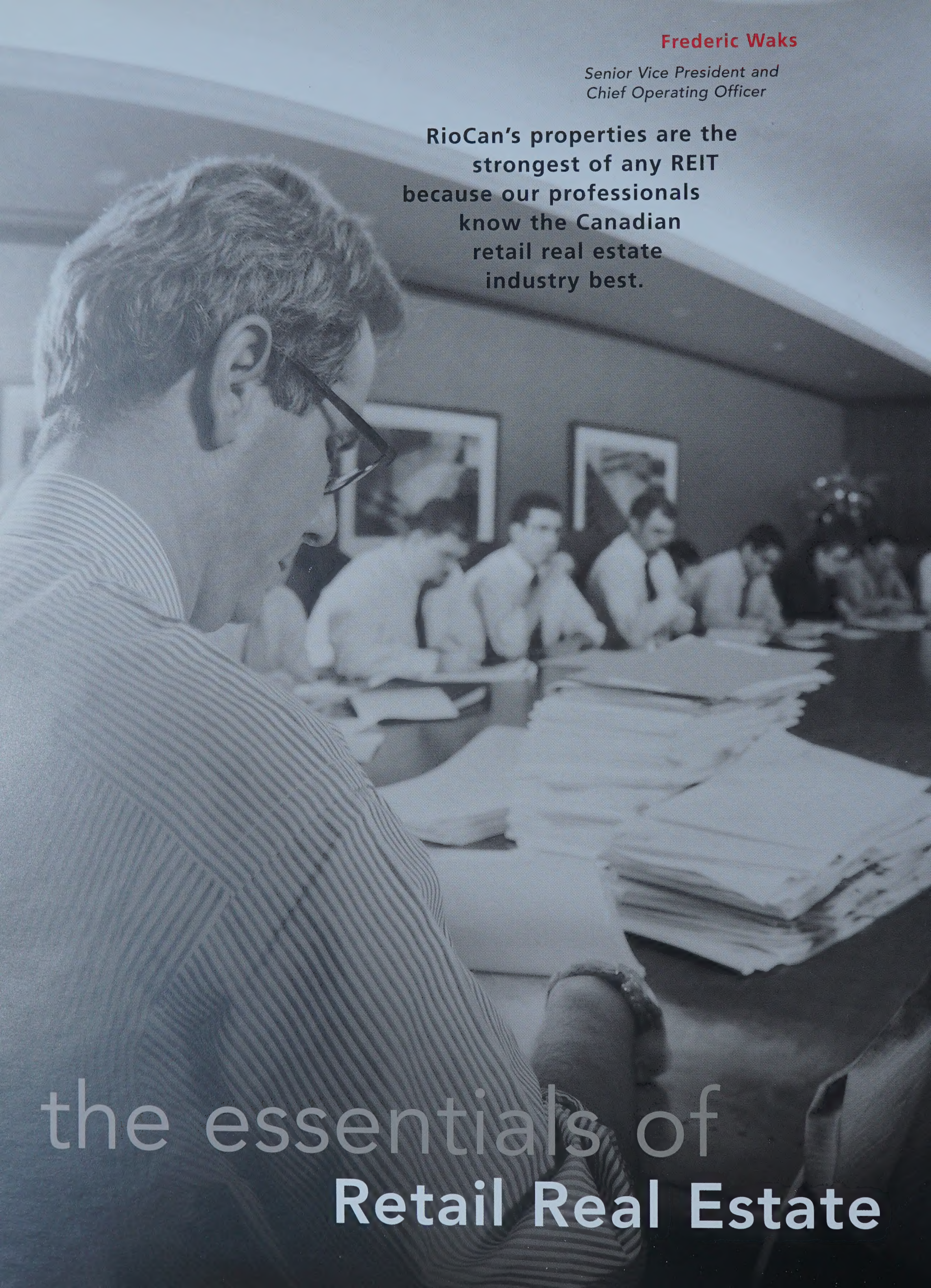
Value is an essential component in our strategy, as well. Our properties are inevitably acquired at prices well below replacement cost and our development and value-added activities permit us to own first quality centres for costs well below market value.

RioCan combines the realities of the retail experience with quality properties, locations and retailing concepts to deliver real and growing value for all our stakeholders. No other REIT comes close.

Frederic Waks

Senior Vice President and Chief Operating Officer

RioCan's properties are the strongest of any REIT because our professionals know the Canadian retail real estate industry best.



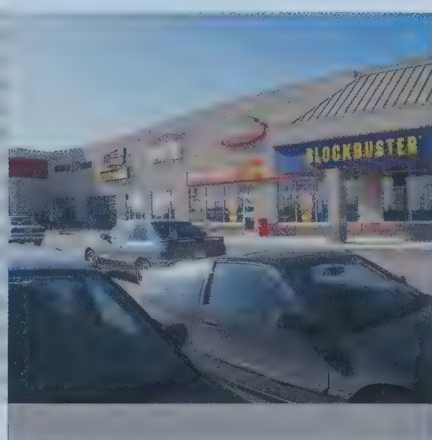
the essentials of **Retail Real Estate**

RioCan's remarkable portfolio encompasses the best retail real estate in Canada – dominant properties invariably obtained for less than replacement cost. These essentials of retail real estate are the foundation on which we build value to ensure enhanced returns and distributions over the long term. The proof is in our performance: eight years of double-digit increases in distributable income.

RioCan's Top 10 Retailers

1. Wal-Mart
2. A&P
3. Zellers
4. Famous Players
5. Loblaws Co.
6. Métro-Richelieu
7. Winners
8. Staples
9. Shoppers Drug Mart
10. Safeway

the essentials of **Retail Real Estate**



RioCan grows for two vital and essential reasons: to increase per unit distributions and to enhance unitholder value. That is why we focus on neighbourhood community shopping centres and new format properties with frequent shoppers, high occupancy rates, low operating costs and national tenants like Wal-Mart and Loblaws. We know that people are most likely to shop at the dominant retail centre in their immediate area. We know that people will always need the essentials of life – groceries and other basics. We know that people will always choose major retailers with the strongest brands and marketing. That is why we select and develop properties with all of these essentials of retail real estate – and then add our aggressively proactive management skills to maximize value today and realize the full potential for multiplying value into the future.

RioCentre Thornhill – growing population density equals growing returns
RioCentre Thornhill is located in a busy, densely populated residential area adjacent to the consumer-magnetic Promenade Mall in Vaughan, Ontario. This 123,000 square foot, 100% leased neighbourhood convenience centre is strongly anchored by such major tenants as No Frills, Winners, HomeSense, Kelsey's and Shoppers Drug Mart. Strong location, strong retailers, strong population base – those are the essential reasons why RioCentre Thornhill will be a prime revenue source well into the millennium.

RioCentre Newmarket – a magnetic location in a rapidly growing area
It is essential to have the dominant neighbourhood shopping centre in one of Southern Ontario's fastest growing areas – and RioCan has many of them and we continue to build more. RioCentre Newmarket is a 99,000 square foot daily shopping destination, centrally located for thousands of nearby residents – a 100% leased property anchored by Dominion and Shoppers Drug Mart. As an essential source for the basic necessities of life, RioCentre Newmarket is destined to deliver escalating cash flows for decades to come.

RioCentre Oakville – comprehensive convenience at the heart of things
Strategic location is an essential criterion – and the new RioCentre Oakville has that and much more. Situated at the high traffic intersection of Dundas and Neyagawa in North Oakville, Ontario, this 109,000 square foot neighbourhood convenience centre is 100% leased and anchored by a 55,000 square foot A&P supermarket and a 10,000 square foot Shoppers Drug Mart. Other national tenants include McDonalds, Tim Horton's, TD Canada Trust, Pizza Pizza, Blockbuster and First Choice Haircutters. RioCentre Oakville is another example of our value-added growth strategy in action.

the essentials of Life

Jeff Ross

Vice President, Leasing

With over 3,300 of Canada's leading retailers as tenants, our properties are the destinations of choice for shoppers of all ages in major markets coast-to-coast.

RioCan is Canada's largest landlord of neighbourhood shopping centres and we will always maintain our focus on this essential destination in the daily lives of millions of Canadians. We have also rapidly become the nation's dominant landlord of new format centres – the latest and most attractive of the essential retail shopping destinations.

the essentials of **Life**

RioCan understands and delivers the essentials of retail real estate life for our tenants, consumers and unitholders. Our shopping centres feature the strongest retail chains and brands. Our tenant/management relationships are equally strong and secured by long-term leases. Our selection criteria targets dominant sites that can be acquired or developed at below market costs. Our aggressive management keeps us at the forefront of retailing trends and formats while assuring long-term performance.

It is this essential vision, these strategies and our will to succeed that ensure our growth as we move powerfully into the new millennium.

- 76% of RioCan's income is generated from national tenants providing strong long-term income stability.
- 9% is the maximum number of leases that will roll over in any single year – a leasing strategy that staggers maturities to ensure stable and profitable cash flows year after year.
- 223% growth in distributable income per unit since our inception eight years ago – continuing bottom line proof that our vision pays in the real world of retail real estate.
- 17% portfolio growth in 2001, for total growth of 1,751% in the past eight years – every square foot of it in dominant locations in Canada's strongest markets.
- 15% of our gross revenue is generated by supermarkets – the essential real life anchors of most of our neighbourhood and new format properties.

Danny Kissoon

Vice President, Operations

Our strategy of proactive management ranges from minor renovations to major expansions and includes every aspect of day-to-day operations – all designed to add value and enhance returns.

the essentials o

Quality Operations

the essentials of **Quality Operations**

RioCan's properties are in Canada's strongest markets. Our selection and development criteria ensure immediate returns and the potential for increasing cash flows through active asset management, comprehensive property management and expansion.

RioCan's properties are strategically situated in prime locations across Canada. Each is pre-eminent in its market and features premium-quality facilities, a strong mix of national and local tenants and one other essential component: quality, value-added management.

RioCan's retail real estate experts are knowledgeable, dedicated and seasoned. In every sense of the word, they are real pros, dedicated to delivering accretive value far beyond industry norms – and they have consistently realized that objective. 2001 is a special example of their ability to achieve remarkable results: in a period of extreme international difficulties and heightened economic uncertainty, the RioCan team once again produced industry-leading growth in cash flows, distributions and revenue.

Here is a snapshot of our achievements:

- A portfolio of 144 properties that delivers accretive value far beyond industry standards.
- Properties that are the dominant locations in their market areas.
- Premium quality developments capable of sustaining strong cash flows.
- A record of acquiring neighbourhood shopping centres at prices below replacement cost.
- Adding significantly to unitholder value through property enhancements and additions.
- Country-wide dominance in new format retail.
- An industry-leading 96% occupancy rate.
- Lease renewal rates above 90% and long-term leases with staggered maturities.
- Low operating costs and high tenant satisfaction.

Our team of executives, asset managers, leasing professionals and property managers is your assurance that RioCan will continue to achieve real value and quality in every aspect of our operations – and always fulfill our mission to deliver to our unitholders stable and reliable cash distributions, which continually increase over time.

the essentials of Continued Success

Katy Ritcey

Vice President, Investments

RioCan has rapidly grown into the largest and most successful retail property owner in the country through the intelligent application of our essential vision.

RioCan is unique among REITs in having the financial resources and in-house expertise to acquire the best neighbourhood shopping centres and develop properties at the leading edge of retail formats – all in the best markets at the best costs. Add in our extremely active "property-centric" management and the result is maximum long-term returns. Always.

RioCan's Top 25 Retailers

- Wal-Mart
- A&P
- Zellers
- Famous Players
- Loblaw Co.
- Métro-Richelieu
- Winners
- Staples
- Shoppers Drug Mart
- Safeway
- Indigo Books
- Canadian Tire
- Reitmans
- Sears
- Mark's Work Wearhouse
- Future Shop
- Sobeys
- [illegible]
- [illegible]
- Overwaitea
- London Drugs
- Bank of Nova Scotia
- TD Canada Trust
- Rogers Video
- Kelsey's Restaurants

the essentials of **Continued Success**



RioCan combines the best retail real estate prope[illegible]
Assistant Vice-President, Construction, and Peter [illegible]

More than 100 million consumers visit our shopping centres annually – and we are confident millions more will be making our properties their destinations of choice from many years to come. Why? Simply because our properties are the best in the world of Canadian retail real estate.

RioCan is the largest landlord of the most successful neighbourhood shopping centres and new format locations in Canada. And each of our properties enjoy a compelling reputation for quality facilities and superb management among both consumers and tenants.

Small wonder our occupancy rates annually lead the industry at a remarkable 96% – and that our lease renewals top the industry at 90-plus percent each year. National and independent retailers know that RioCan properties are always the most profitable locations in their markets. Consumers know that RioCan shopping and new format centres always have the quality retailers they're looking for.

These are the essentials that ensure our continued success – along with lease maturities that are carefully staggered so that no more than 9% roll over in any single year. The assured result: stable, predictable cash flows for a secure financial future.

the essentials of Development

Donald MacKinnon

Vice President, Real Estate Finance

RioCan is the only Canadian REIT capable of developing dominant properties in underserved or emerging markets at the leading edge of retail concepts.

Financial Review

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The following is a discussion and analysis of the consolidated financial position and results of operations of RioCan for the year ended December 31, 2001. This should be read in conjunction with the Trust's Consolidated Financial Statements for the years ended December 31, 2001 and 2000.

Certain information contained in this "Management's Discussion and Analysis" contains forward-looking statements, based on the Trust's estimates and assumptions which are subject to risks and uncertainties. This could cause the Trust's actual results to differ materially from the forward-looking statements contained in this discussion.

Overview

RioCan is an unincorporated "closed-end" trust governed by the laws of the Province of Ontario and constituted pursuant to a Declaration of Trust. RioCan is publicly traded and is listed on the Toronto Stock Exchange under the symbol REI.UN.

RioCan is Canada's largest real estate investment trust ("REIT"). As at December 31, 2001, it had ownership interests in a portfolio of 144 shopping centres, containing over 29 million square feet of gross leasable area, with RioCan's owned interest being 21.9 million square feet. All of RioCan's assets are located in Canada.

Asset profile

RioCan's purpose is to deliver to its unitholders stable and reliable cash distributions that will increase over the long term. It seeks to do so by following a strategy of owning and operating retail real estate.

Advantages of the retail real estate sub-sector include: (i) valuation swings are less dramatic than the office and industrial sub-sectors; (ii) tenant leases are generally written for longer terms than office and industrial properties thereby "smoothing" cash flows over recessionary periods; and (iii) tenants view retail space as "profit centres" (as opposed to "overhead"), resulting in higher renewals at lower costs than typical for the office and industrial sub-sectors. The specific niche areas in the retail area in which RioCan primarily invests are: (i) neighbourhood, convenience unenclosed centres; (ii) new format retail centres; and (iii) dominant, enclosed malls in smaller urban areas. The majority of RioCan's portfolio consists of unenclosed, supermarket or junior department store anchored shopping centres, typically comprising 100,000 to 250,000 square feet of leasable area. Other convenience-oriented tenants generally include drug stores, banks, restaurants and other service providers. It is RioCan's belief that such retail centres are the most stable of commercial properties. Because they address the everyday, convenience-oriented needs of nearby consumers, they are relatively immune to general economic cycles. At the same time, the scarcity of zoned and vacant land within mature neighbourhoods strongly mitigates against new competition, especially at RioCan's low cost base. A significant portion of RioCan's portfolio are new format retail centres – large aggregations of dominant retailers grouped together at high traffic and easily accessible locations. These unenclosed campus-style centres are generally anchored by supermarkets and junior department stores and may include an entertainment component (new generation movie theatres, large-format bookstores and restaurants). These centres offer retailers significant operating and cost advantages. As these centres have all been recently developed/constructed, they are generally 99% occupied and tenants' leases are generally for a minimum of 10 years.

RioCan also owns enclosed malls in smaller urban areas. Management believes that, as long as the properties in question are dominant in their marketplaces, the apparent operating cost disadvantages of enclosed malls can be readily overcome.

Income properties grew to $2.4 billion as at December 31, 2001 from $2 billion at the end of 2000. This change is primarily attributable to acquisitions of $344 million during 2001, of which $181 million was financed through the assumption of related mortgage debt.

The consolidated carrying value of RioCan's owned interest in 21.9 million square feet of gross leasable area is approximately $110 per square foot.This is significantly below replacement cost and provides RioCan with a meaningful competitive advantage.

The reliability and stability of RioCan's cash flows is achieved through, amongst other means, portfolio geographical diversification, staggered lease maturities, the diversification of revenue sources from long term leases with no individual tenant contributing a significant percentage of the Trust's gross revenue, and a high preponderance of revenue earned from national and anchor tenants.

The majority of RioCan's assets are located in Ontario. It is management's view that Ontario is the driver of prosperity in Canada, given that it has the largest and most prosperous population. Furthermore, the type of retail that RioCan owns demands comprehensive local knowledge and RioCan's senior management has extensive experience and retail industry relationships in Ontario. The following table illustrates the geographical diversification of RioCan's retail property portfolio:

Province	Total Gross Leasable Area	RioCan Interest	Net Book Value as at December 31, 2001	% of Total Annualized Gross Revenue as at December 31, 2001
Ontario	19,332,973	14,132,002	1,611,520,000	68.9%
Alberta	2,769,043	2,191,475	318,655,000	10.1%
Quebec	2,931,596	2,252,480	168,190,000	8.3%
British Columbia	1,325,228	779,607	132,753,000	4.4%
Saskatchewan	1,133,684	1,133,684	65,232,000	4.1%
New Brunswick	1,569,202	939,623	55,669,000	2.1%
Prince Edward Island	328,387	328,387	29,030,000	1.3%
Manitoba	178,993	178,993	24,004,000	0.8%
	29,569,106	21,936,251	2,405,053,000	100.0%

As at December 31, 2001, RioCan's portfolio enjoyed a 95.6% occupancy rate.

Lease maturities are staggered to ensure that there is no over-exposure to large amounts of rollovers in any given year. As at December 31, 2001, the proportion of the Trust's space for which leases expire over the next five years is as follows:

2002	4.5%
2003	6.9%
2004	8.5%
2005	9.3%
2006	8.4%

The solidity of RioCan's income stream is furthered by the fact that, as at December 31, 2001, 76.4% of its revenue was derived from, and 77.3% of its space was leased to, national and anchor tenants. RioCan constantly strives to increase the proportion of national tenancies in each property and the length of related leases. As at December 31, 2001, no individual tenant comprises more than 5.9% of the portfolio's annualized gross revenue. As at December 31, 2001, RioCan's 10 largest tenants (based on gross revenue) and the weighted average term remaining on their leases were as follows:

	% of Gross Revenue	Weighted Average Remaining Lease Term (Yrs.)
1. Wal-Mart	5.9	15.2
2. A&P	5.3	11.5
3. Zellers	5.0	11.4
4. Famous Players	4.3	19.3
5. Loblaws Co.	4.2	9.1
6. Métro-Richelieu	2.6	7.1
7. Winners	2.0	8.3
8. Staples	1.9	12.6
9. Shoppers Drug Mart	1.9	7.7
10. Safeway	1.6	9.2
	34.7	

Further evidence of the relatively low risks attached to RioCan's cash flows is that, as at December 31, 2001, 15.4% of RioCan's gross revenue comes from Canada's major supermarkets and over 48% of gross revenue is derived from the 25 largest tenants. The diversification of RioCan's sources of revenue is evidenced by the fact that it has over 3,300 individual tenancies.

RioCan was the first Canadian REIT to adopt the position that unitholders are best served by internalized management, rather than through external asset management contracts. On July 1, 1995, RioCan's asset management function was internalized; since that time, no fees have been paid to third-party managers for acquisitions, dispositions or for simply owning assets. The positives of internal management are significant, whether one is looking at the overall costs of operation or the ability to align the goals and compensation of management with those of unitholders. As a further measure consistent with this philosophy and to enhance the stability and reliability of its cash flows, RioCan announced in December 2000 that it would undertake the internalization of all property management functions in 2001. Previously performed by a number of third-party property managers, these functions encompass the physical maintenance of its properties, the collection of all rents and all accounting-related functions. This process was completed by July 1,2001. In addition to significant cost savings, this initiative has provided RioCan with a greater level of control over its assets and has helped to create more "brand awareness" in the general public.

It is management's view that the retail environment in Canada helps it to ensure the stability and reliability of RioCan's cash flows. Compared to other industrialized countries (especially the United States), Canada has relatively little depth of retailers. This results in a relative lack of competition in individual sectors with the result that Canadian retailers are relatively well financed and powerful. RioCan believes that this has been recognized by many American retailers in recent years, which has led to their increasing domination of the Canadian retail scene. This can be seen in the above tenant listing, in which six of the ten are owned by American companies. During 2001, RioCan formed a strategic alliance with Kimco Realty Corporation ("Kimco"), a U.S. REIT listed on the New York Stock Exchange, which also focuses on the ownership of shopping centres. A key aspect to this strategic alliance is to capitalize on this trend towards American retailers increasingly investing in Canada; RioCan and Kimco will work to bring a North American scale solution to tenants' location needs, whether such tenants currently carry on business in the United States, Canada or elsewhere in the world.

As part of its relationship with Kimco, a joint venture has been entered into to acquire shopping centres. As at December 31, 2001, 4 shopping centres comprising 985,000 square feet had been jointly acquired on a 50:50 basis, of which RioCan's cost was $88 million. The joint venture was initially formed with a $50 million commitment by each participant (each of which had invested $30 million by December 31,2001) and this was increased to $150 million each subsequent to December 31, 2001.

RioCan's portfolio requires periodic investments of capital for tenant installation costs related to new and renewal leasing. These include providing tenants build-out allowances and paying leasing commissions to third-party brokers representing tenants. Expenditures for tenant installations were $14 million in 2001. RioCan also invests capital on an ongoing basis for the maintenance of its properties. Typical costs incurred are for roof replacement programs and the paving of parking lots. Tenant leases generally provide for the ability of the landlord to pass on such costs to tenants as operating costs.

RioCan is very proactive in maximizing the income from its properties including expanding and redeveloping existing shopping centres, where possible on a profitable basis. During 2001, $49 million was expended mainly on such value-added initiatives, of which $31 million was invested in assets classified as properties under development. For 2000, $72.2 million was so expended, of which $53 million related to properties under development. Upon substantial completion of any given value-added initiative, the shopping centre is then reclassified as an income property.

The Trust has a limited development program primarily focused on new format retail centres.The provisions of RioCan's Declaration of Trust have the effect of limiting investments in non-income producing assets to no more than 15% of unitholders' equity. To minimize risks, developments are generally undertaken with established developers either on a joint-venture, co-tenancy basis, or by providing them with mezzanine financing on a participating mortgage basis. RioCan does not see itself as a developer, nor does management have any desire to build up the infrastructure and overheads associated with being one. RioCan's policy is to not participate in the acquisition of land unless it is fully zoned and 65% of the buildable space has been pre-leased/pre-sold. Construction is phased to avoid the creation of meaningful amounts of vacant space. An advantage of unenclosed, new format retail is that, unlike an enclosed mall or an office building, it lends itself to staged construction, keyed to leasing levels. As a part of its development program, RioCan will make loan advances to its partners and borrowers to help fund the acquisition and development costs of the related properties. These transactions are generally structured either as co-tenancies or as loans with RioCan granted options to purchase a stated

interest (generally 50%) in the underlying property (essentially, upon or after substantial completion). As at December 31, 2001, the Trust had mortgages and loans receivable as follows:

(thousands of dollars)	2001	2000
Mortgages and loans receivable from co-owners	$ 20,803	$ 25,406
Participating mortgages and loans receivable	137,859	186,135
Other mortgages and loans receivable	35,563	57,319
	$ 194,225	$ 268,860

Advances of mortgages and loans receivable for 2001 totalled $36.4 million, a decrease from the $66.7 million advanced in 2000. This decrease resulted from less advances being made by RioCan under its participating mortgage program in 2001, under which RioCan generally invests in new format retail development projects. Repayments of mortgages and loans receivable totalled $128.5 million in 2001, an increase from $65 million repaid in 2000. In the last four months of 2001, approximately $92 million was repaid by two borrowers when they sold (a portion) of their interests in the properties financed by the Trust. Of the December 31, 2001, balance of mortgages and loans receivable, up to $74 million will be repaid from the cash flows generated from the exercise of RioCan's options to purchase interests in the properties.

Rents receivable increased to $25 million as at December 31, 2001, from $21.1 million a year earlier; this increase is commensurate with the increase in real estate investments over the same period. Prepaid expenses and other assets increased to $25.3 million as at December 31, 2001, from $19.1 million a year earlier. This increase is primarily attributable to the increased investment in capital assets related to the 2001 internalization of property management functions and the growth in real estate investments during the year. Accounts payable and accrued liabilities increased to $113.5 million as at December 31, 2001, from $95.5 million a year earlier and is primarily attributable to tenant installation and capital expenditures, and deferred income related to real estate investments acquired during the year. Increases in other non-cash operating items (i.e. working capital) totalled $19.9 million in 2001 versus $3.1 million in 2000. This increase is primarily attributable to a decrease in operating payables (included in accounts payable) and increases in prepaid operating costs and rents receivable.

Capital structure and liquidity

RioCan finances its operations with various forms of capital, including equity, bank debt, long-term mortgage financing on completed income properties, unsecured debentures and short- to medium-term construction financing on properties under development.

Debt

RioCan has access to many sources of debt, domestic and foreign mortgage lenders, the unsecured debenture market and conventional bank borrowings. RioCan's policy is to make maximum usage of long-term, fixed-rate debt so as to minimize its exposure to interest rate fluctuations. RioCan's portfolio generated an EBITDA to interest ratio in excess of 2.88 times in 2001 as compared to 2.87 times for 2000. As at December 31, 2001, RioCan's total debt portfolio had a 5.5 year weighted-average term to maturity bearing a weighted-average interest rate of 7%. As at December 31, 2001, less than 5% of RioCan's total indebtedness was at floating interest rates.

Prior to May 31, 2001, RioCan's Declaration Of Trust stated that total debt must not exceed 50% of aggregate assets (total assets plus accumulated amortization of income properties). The Trust was permitted, however, to issue debt to a limit of 65% of aggregate assets, subject to the excess over the 50% debt limitation being in the form of convertible debt where RioCan had the option to repay the debt with trust units issued from treasury. RioCan has never issued any such convertible debt instruments. On May 31, 2001, RioCan's unitholders approved an increase in maximum debt levels to 60% of aggregate assets. With the changes approved, convertible debt would be treated the same as any other debt for these purposes (and the full face amount of any such debt would continue to be included in the 60% limit). Notwithstanding these amendments, RioCan has adopted a policy to limit its debt to 55% of aggregate assets. At December 31, 2001, the Trust's indebtedness was 48.2% of aggregate assets and RioCan could therefore incur additional indebtedness of over $418 million and still adhere to its policy of not exceeding a 55% leverage limitation.

Subsequent to May 31, 2001, RioCan sought and received approval from holders of its outstanding unsecured debentures to approve modifications to the covenants contained in its $300 million of then outstanding unsecured debentures. These changes will facilitate RioCan's implementation of its increased leverage levels approved by its unitholders in May 2001. Effective August 15, 2001, the interest rate on all three series of debentures was increased by .25%.

As at December 31, 2001, RioCan had three series of senior unsecured debentures outstanding totalling $300 million. Such debt has the advantage that it provides greater flexibility than conventional secured borrowings and requires no ongoing repayments of principal. As at December 31, 2001, the composition of total borrowings was as follows:

	Total ($000s)	% of Total Debt
Mortgage indebtedness	$1,026,723	77%
Senior unsecured debentures	300,000	23%
	$1,326,723	100%

As at December 31, 2001, RioCan had revolving, secured lines of credit in place totaling $120 million with major Canadian financial institutions, of which in excess of $83 million was unutilized.

The vast majority of RioCan's mortgage indebtedness has been given with recourse to the assets of the Trust (as opposed to only having recourse to the specific property charged). This policy has been followed as it generally results in lower interest rate costs and higher loan-to-value amounts than would otherwise be obtained. On a combined basis, the Trust's mortgages and debentures payable maturities for the next five years are as follows:

(thousands of dollars)

2002	$ 288,545
2003	81,760
2004	119,223
2005	122,389
2006	58,194
Thereafter	656,612
	$1,326,723

Included in the above amount shown for 2002 maturities are: (i) $25 million of drawings under RioCan's revolving lines of credit; (ii) $25 million of scheduled amortizations for mortgages maturing in 2003 and beyond; (iii) $100 million of Series A senior unsecured debentures (which are extendible until 2007 at the holders' option); and (iv) approximately $138 million of mortgage debt maturing in 2002. It is expected that all maturities (including any of the Series A debentures which are not extended by the holders) will be refinanced or repaid in the normal course.

In 2001, RioCan undertook new secured borrowings of $73.4 million and repaid existing mortgage debt of $69.7 million (including $19.9 million in scheduled amortizations). In 2000, RioCan borrowed $348.7 million of mortgage debt and repaid $280.1 million of such debt (including $166 million of floating interest rate revolving and other lines of credit and scheduled amortizations of $16.2 million). These actions were in accordance with RioCan's policy of minimizing its exposure to interest rate fluctuations.

Non-controlling interest

During the fourth quarter of 2001, the investor interests in a certain real estate investment were restructured with the result that the Trust gained control of the entity owning the asset and began consolidating this subsidiary effective November 30, 2001. The investor interests effectively consist of a $55 million investment in the equity of the subsidiary owning the real estate investment.

Equity

RioCan has an equity market capitalization of approximately $1.78 billion, based on the unit price on the Toronto Stock Exchange at December 31, 2001.This ranks RioCan among the largest real estate entities in Canada. In 2001, RioCan was one of the most actively traded real estate securities on Canadian stock exchanges.

One of RioCan's goals has been to become increasingly less reliant on issuing new equity to meet its capital requirements. Prior to May 31, 2001, RioCan's Declaration Of Trust permitted it to retain up to 10% of its distributable income in any year to maintain a reserve to fund ongoing capital costs, including recurring mortgage principal repayments and tenant leasing costs. In 1999, RioCan distributed 96% of its total distributable income (including capital gains) and in 2000 the comparable amount was 90%. As a further measure to increase capital retention, on May 31, 2001, RioCan's unitholders approved an amendment to the Declaration of Trust such that the 90% minimum payout ratio is now based on a calculation of the income of the Trust that excludes the gains resulting from the sale of real estate assets. For 2001, RioCan distributed 92.2% of its distributable income before capital gains (as compared to 96.2% in 2000) and 83.3% of its distributable income including capital gains.

During 2001, RioCan issued to Kimco, on a private placement basis, 2,500,000 units and 2,500,000 warrants (which remain outstanding at December 31, 2001), expiring on September 7, 2006, for cash consideration of $26,250,000. Each warrant entitles Kimco to acquire one unit of RioCan at $11.02 per unit. RioCan has a unitholder distribution reinvestment plan under which 1.46 million units were issued in 2001 and which resulted in 9.6% of distributions paid in 2001 being immediately reinvested.

On September 25, 2001, RioCan announced a normal course issuer bid permitting it to purchase up to 14,494,577 units for cancellation during the twelve-month period ending September 26, 2002. No units were acquired under this program in 2001.

Financial liquidity and capital commitments

During the year ended December 31, 2001, RioCan generated $185.6 million of distributable income and funds from operations increased to $173.8 million in 2001 from $151.7 million in 2000.

RioCan ended 2001 with $12.9 million of cash and short-term investments and over $83 million of available undrawn credit. The costs to complete properties under development at December 31, 2001 was approximately $22.6 million and forward purchase commitments for income properties total $33 million ($8 million in 2002 and the balance in 2004). RioCan provides third party guarantees as a normal part of its ongoing operations, primarily to borrowers under its mezzanine financing program for those borrowers' first mortgage debts and on behalf of RioCan's partners in equity accounted for investments for their share of certain mortgage debts.

As at December 31, 2001, such guarantees totalled $156 million. The value of the assets securing these mortgages is more than sufficient to satisfy the guarantees provided.

RioCan believes that with its level of distributable income, its ability to refinance existing property debt and its capacity to raise equity financing, should it decide to take such action, it will have more than sufficient resources in place to fund its 2002 obligations.

Results of operations

The Trust reported net earnings of $159.5 million for the year ended December 31, 2001, as compared with net earnings of $121.8 million for 2000. 2001 net earnings per unit were $1.11, a 19% increase from 2000 net earnings per unit of 93 cents. This increase was significantly impacted by losses on real estate investments in the amount of $11.6 million for 2000 versus gains of $9.7 million in 2001. Furthermore, in 2001 property management internalization costs of $1.1 million were written off.

Operating income, presented as income before the gain (loss) from the sale of real estate investments and the write-off of property management internalization costs in RioCan's consolidated statements of earnings, rose to $150.9 million in 2001 from $133.4 million in 2000. The increase is mainly attributable to RioCan's ongoing acquisition program, which saw the net book value of the Trust's real estate investments rise to $2.64 billion as at December 31, 2001 from $2.31 billion at the end of 2000.

Operating income was also positively impacted through a reduction in operating costs by the Trust's internalization of the property management functions effective July 1, 2001. In 2000, approximately $5.1 million in net fees were paid to third-party property managers versus only $2.7 million for 2001 for a larger real estate portfolio. In addition, income from management fees earned from third parties (partners in some of RioCan's properties and certain properties where RioCan holds a participating mortgage) amounted to $438,000 in 2001 versus nil in 2000. These savings and fees were partially offset by additional general and administrative expenses. It is estimated that this initiative contributed approximately $2 million in operating earnings for 2001.

Interest and fee income

Interest and fee income includes interest charged on loans receivable, interest received on cash balances and fee income earned from third parties. Interest and fee income was earned from the following component sources:

(thousands of dollars)	2001	[illegible]
Mortgages and loans receivable from co-owners	$ 2,578	[illegible]
Participating mortgages and loans receivable	21,603	19,3[illegible]
Other mortgages and loans receivable	6,196	[illegible]
Interest income	30,377	[illegible]
Fee income	12,457	3,051
	$ 42,834	$ [illegible]

Effective April 1, 2000, certain "other mortgages and loans" were restructured and became participating mortgages. Interest income decreased in 2001 from 2000 due to net repayments made by borrowers under all categories of mortgages receivable, which were substantially made in the last four months of 2001. As such, RioCan did earn interest income on higher mortgage receivable balances during the first eight months of 2001. Fee income increased in 2001 as compared to 2000 as a result of significantly more asset management fees being earned from partners.

Interest expense

(thousands of dollars)	2001	2000
Interest expense	$ 86,391	$ 73,125
Capitalized interest	2,800	4,255
Total interest cost	$ 89,191	$ 77,380

Interest expense increased to $86.4 million in 2001 from $73.1 million in 2000 and is primarily attributable to interest on new debt on acquisitions during 2001. The increased interest expense on this new debt was partially offset by scheduled amortizations of income property debt and the repayment of debt related to non-core properties sold during the year.

General and administrative expenses

Net general and administrative expenses were $9.3 million in 2001 versus $6.4 million in 2000.

(thousands of dollars)	2001	2000
General and administrative expenses incurred	$ 12,080	$ 9,037
Less: capitalized to properties	(2,822)	(2,677)
Net general and administrative expenses	$ 9,258	$ 6,360

Gross overhead expenses incurred for 2001 increased by 34% over 2000. This increase is primarily attributable to higher staffing levels and related costs incurred subsequent to July 1, 2001 to perform property management functions previously outsourced to third party managers.

Amounts capitalized to properties for 2001 represent 23% of gross general and administrative expenses, as compared to 30% for 2000. This relative decrease in amounts capitalized is mainly attributable to (i) a decrease in development-related activity in 2001 and (ii) the increase in overheads relating to the day-to-day performance of property management functions not being capitalized.

Sales of income properties

RioCan will generally dispose of those income properties deemed to no longer fit its portfolio strategy of focusing on retail real estate. A retail property may also be sold if management determines that its value has been maximized and that the capital invested in it can be redeployed elsewhere at higher returns. There are also retailers who prefer to own their own store as opposed to being a tenant. Over the years, RioCan has sold land to operators who have constructed stores which effectively remain part of the centres as (non-owned) anchors. In addition, in certain isolated cases, a sale to an anchor tenant will take place so as to avoid having that tenant leave the centre altogether. Even if the sale results in a loss to RioCan, this may be viewed by management as preferable to the tenant ceasing operations and vacating the premises, as that could result in an even greater economic loss in terms of its impact on the entire shopping centre.

In addition to provisions for diminution in valuation of income properties of $2.3 million, the Trust recorded losses of $9.3 million on a net basis from gross sales of $109 million of real estate in 2000, as compared to net gains of $9.7 million on gross sales of $68 million in 2001. The actual cash generated from such sales was $39 million (57% of proceeds) in 2001 versus $59.7 million (55% of proceeds) in the previous year. Cash generated from dispositions in 2001 was proportionately more than in 2000 primarily due to a lesser amount of gross sales prices achieved being satisfied by vendor-take-back mortgages.

Risks and uncertainties

The principal operating risk facing the Trust is the potential for declining revenue if it cannot maintain the existing high-occupancy levels of its properties. To safeguard against this risk, RioCan invests primarily in supermarket and junior department store-anchored, neighbourhood, convenience-oriented shopping centres which are always required to service the day-to-day needs of the general population. Should vacancies occur in these types of centres, it is generally easier to find replacement tenants. Towards this end, management makes it a priority to maintain good relationships with all tenants. The Trust has in-house leasing capabilities, which results in excellent control over its leasing activities and generally results in even faster releasing of space should it unexpectedly become vacant.

The Trust's assets and operations are inherently not subject to a high level of environmental risk. It is the Trust's policy to have an environmental audit conducted by an independent consultant prior to acquiring any property. Such audits are also commissioned on an ongoing basis for existing assets, where deemed appropriate. In addition, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations. Furthermore, all assets are insured against environmental exposure. These policies and practices protect the long-term market value of RioCan's assets.

Due to its involvement in development activities, the Trust is subject to risks such as construction or other unforeseeable delays and cost overruns. To mitigate such risks, the Trust undertakes development projects with developers possessing a proven track record of success. The risks are further minimized through adherence to a policy of not commencing construction until satisfactory levels of pre-leasing/sales are achieved, generally defined to be 65% of leasable area. In addition, the overall capital that can be committed at any one time to all such projects is limited by its Declaration of Trust to no more than 15% of unitholders' equity.

The ultimate safeguard against all risks faced by the Trust is that it owns a well-diversified portfolio of income-producing retail real estate. Income properties are located across Canada, and both lease and debt maturities are managed so as to avoid the risks from exposure to the economic and interest rate environment existing in any one given year. With conservative debt limitations and the vast majority of the Trust's income deriving from national and anchor tenants, the Trust's cash flows are stable and reliable.

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Adelaide Centre London, ON	Jan. 1997	100%	80,938	100.0%	A&P
Ajax Wal-Mart	(1)	50%	149,055 (298,110)	100.0%	Wal-Mart, Canadian Tire, Cineplex, Home Depot*
Bamburgh Gardens Toronto, ON	Nov. 2000	100%	113,252	100.0%	A&P
Bathurst Supermall Bathurst, NB	Jan. 1997	100%	183,334	88.4%	Loblaws, Canadian Tire*, Rossy
Belleville Plaza	Oct. 1996	100%	87,845	100.0%	Stream International
Belleville Wal-Mart Centre Belleville, ON	May 1999	100%	181,263	100.0%	Wal-Mart
Bellfront Shopping Centre Belleville, ON	May 1999	100%	108,412	88.9%	Loeb
Blue Mountain Mall	Jan. 1999	100%	133,972	90.7%	Zellers, IGA
Bolton Country Shopping Plaza Bolton, ON	Jan. 1999	100%	87,003	100.0%	Zehrs
Boulevard Shopping Centre I & II	Oct. 1996	100%	212,924	100.0%	Zellers, Loeb, Winners
Brookside Mall Fredericton, NB	Nov. 1996	50%	132,737 (265,474)	91.5%	Zellers, Sobeys, Rossy
Burlingwood Shopping Centre Burlington, ON	Mar. 1996	100%	46,504	98.9%	No Frills
Cambrian Mall t Ste. Marie, ON	Apr. 1998	100%	128,063	85.9%	Loblaws*, SportChek, Canadian Tire*, Winners
Carrefour Carnaval	Apr. 1998	100%	159,224	97.4%	Super C, Value Village
Carrefour Neufchatel uebec City, QC	Jan. 2000	100%	253,363	91.5%	Zellers, Super C, Rossy
Centre Carnaval Drummondville, QC	Jan. 2000	100%	143,750	95.7%	Super C, Business Depot
Centre Carnaval	Apr. 1998	100%	211,002	90.2%	Super C

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Centre Carnaval Pierrefonds, QC	Apr. 1998	100%	130,092	100.0%	Super C
Centre Carnaval Montreal, QC	Apr. 1998	100%	67,815	100.0%	Super C
Centre Carnaval Trois Rivieres, QC	Jan. 2000	100%	113,888	68.5%	Super C
Centre de la Concorde Laval, QC	Jan. 2000	100%	111,152	100.0%	Super C
Centre RioCan Kirkland I	Dec. 1999	100%	92,617	100.0%	Famous Players
Centre RioCan Kirkland II Kirkland, QC	(1)	50%	87,912 (175,824)	100.0%	Business Depot, Winners
Century Park Plaza Calgary, AB	Mar. 1989	100%	40,144	100.0%	Mark's Work Wearhouse, Penningtons
Chaleur Centre Bathurst, NB	Dec. 2001	100%	284,482	79.1%	Wal-Mart, Sobeys, Kent
Charlottetown Mall Charlottetown, PEI	Jun. 1997	100%	328,387	98.7%	Zellers, IGA, Winners, SportChek
Churchill Plaza Sault Ste. Marie, ON	May 1999	50%	85,719 (171,438)	86.9%	A&P
Clarkson Village Shopping Centre Mississauga, ON	Nov. 1996	100%	65,762	100.0%	A&P
Clearbrook Town Centre Abbotsford, BC	Oct. 2001	50%	94,126 (188,252)	99.1%	Safeway, Staples
Colborne Mall Brantford, ON	Apr. 1998	100%	70,553	100.0%	Zehrs
Commissioners Court Plaza London, ON	May 1999	100%	93,879	97.4%	Food Basics
Confederation Mall Saskatoon, SK	Sept. 1997	100%	322,311	92.7%	Wal-Mart, Safeway
County Fair Mall Smith Falls, ON	Nov. 1997	100%	158,482	98.2%	Zellers, Food Basics
Dilworth Shopping Centre Kelowna, BC	May 1999	100%	189,946	95.9%	Safeway, Staples
Dougall Plaza Windsor, ON	Apr. 1998	100%	126,483	93.9%	Food Basics

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Dundurn Place	Aug. 2001	100%	125,105	100.0%	Fortino's
East Park Centre	May 1999	100%	68,948	61.8%	Bank of Nova Scotia
Elgin Mall	Feb. 1997	100%	265,377	92.0%	Zellers, Food Basics, Sears
Empress Walk	Jul. 2000	100%	181,690	92.1%	Famous Players, Loblaws*, SportChek, Business Depot
Enterprise Plaza	May 1999	100%	49,590	100.0%	Cashway
Fallingbrook Shopping Centre	May 1999	100%	97,503	100.0%	Loeb, Shoppers Drug Mart
Festival Hall	Oct. 1999	50%	123,444 (246,888)	73.5%	Famous Players, Indigo
First Warden Scarborough, ON	(1)	50%	101,400 (202,800)	100.0%	Wal-Mart, Winners, Future Shop
Five Points Shopping Centre	Jan. 1999	100%	336,461	100.0%	Zellers, A&P, Business Depot, Winners
Frontenac Mall Kingston, ON	Mar. 1997	100%	272,565	91.0%	Wal-Mart, Food Basics
Glenmore Landing	Feb. 1987	50%	73,522 (147,044)	98.6%	Safeway
Gloucester Silver City Centre	Jun. 1999	40%	90,886 (227,214)	100.0%	Famous Players, Indigo, Future Shop
Goderich Wal-Mart Centre	May 1999	100%	156,703	100.0%	Wal-Mart, Canadian Tire*, Zehrs
Golden Mile Bowling Centre Scarborough, ON	Dec. 1987	100%	56,000	100.0%	
Grey County Mall	Apr. 2001	100%	59,242	100.0%	No Frills, Galaxy Theatres
Halton Hills Shopping Centre Georgetown, ON	Jan. 1999	100%	71,477	100.0%	Food Basics

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Hamilton-Highbury Plaza London, ON	Aug. 1986	100%	5,269	65.6%	
Heart Lake Town Centre Brampton, ON	Jan. 1997	100%	125,825	100.0%	A&P
Highbury Shopping Plaza London, ON	May 1999	100%	70,960	90.7%	
Hunt Club Centre Ottawa, ON	Jan. 1997	100%	66,992	98.8%	A&P
Innes Road Centre Gloucester, ON	Oct. 1997	50%	23,918 (47,836)	100.0%	Costco*, Petsmart
Jasper Gates Shopping Centre Edmonton, AB	May 1999	100%	94,473	93.8%	Safeway*, London Drugs
Kanata Centrum Shopping Centre Kanata, ON	May 1999	100%	196,157	100.0%	Wal-Mart, Loblaws*, Indigo
Kendalwood Park Plaza Whitby, ON	May 1997	100%	161,489	97.9%	Price Chopper, Value Village, Shoppers Drug Mart
Kennedy Commons Toronto, ON	May 1999	50%	179,347 (358,694)	100.0%	AMC Theatres, The Brick, Dominion, Sears, Indigo, Lansing Buildall*
Kildonan Crossing Shopping Centre Winnipeg, MB	May 1999	100%	178,993	90.7%	Safeway
King George Square Brantford, ON	Mar. 1995	100%	67,311	85.5%	Loblaws
Lachute Wal-Mart Centre Lachute, QC	May 1999	100%	75,681	100.0%	Wal-Mart, Loblaws*
Langstaff Place Shopping Centre Woodbridge, ON	May 1999	100%	37,437	100.0%	No Frills*
Laval Wal-Mart Centre Laval, QC	(1)	50%	165,846 (331,692)	100.0%	Wal-Mart, Reno, Winners
Lawrence Square Toronto, ON	Apr. 1998	100%	692,402	93.7%	Zellers, Fortino's, Canadian Tire
Leamington Wal-Mart Leamington, ON	(1)	50%	81,383 (162,766)	100.0%	Wal-Mart, Canadian Tire*, A&P

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Lethbridge Towne Square Lethbridge, AB	May 1999	100%	79,006	100.0%	London Drugs
London Plaza [illegible]	Oct. 1996	100%	138,409	100.0%	Zellers, Value Village
Madawaska Centre [illegible]	Oct. 2000	100%	247,842	69.2%	Zellers, Business Depot
Mayfield Common [illegible]monton, AB	Oct. 1997	100%	475,357	100.0%	Wal-Mart, Winners, Save-on-Foods
Meadowlands Centre [illegible]	May 1999	100%	145,574	100.0%	Winners HomeSense, Future Shop, SportChek, Costco*, Home Depot*, Zellers*, Sobeys*
Midtown Mall [illegible]	Feb. 1997	100%	144,543	91.1%	Shoppers Drug Mart
Miracle Plaza Hamilton, [illegible]	Nov. 2000	100%	88,497	100.0%	Ultra Mart
Mississauga Plaza Mississauga, ON	Oct. 1996	100%	160,333	100.0%	Zellers, Price Chopper
Mountainview Mall [illegible]	Apr. 1998	100%	300,274	95.6%	Zellers, A&P, Galaxy Theatres
New Liskeard Wal-Mart Centre New Liskeard, ON	May 1999	100%	77,742	100.0%	Wal-Mart, Canadian Tire*
Niagara Falls Plaza [illegible]	Oct. 1996	100%	126,665	99.0%	Zellers, IGA
Northgate Village Shopping Centre Calgary, AB	May 1999	100%	295,333	100.0%	IKEA, Safeway, Home Depot*
Northumberland Mall [illegible]bourg, ON	Dec. 2000	100%	240,177	96.6%	Sears, A&P, Zellers*, Canadian Tire
Norwest Plaza Kingston, ON	Oct. 1986	100%	40,603	91.1%	Petcetera
Oakridge Mall London, ON	Feb. 1997	100%	209,687	97.6%	Wal-Mart, Loblaws
Orangeville Fairgrounds Orangeville, ON	(1)	50%	102,742 (205,484)	100.0%	Wal-Mart, Loblaws
Orillia Square Mall [illegible]ia, ON	Apr. 1997	100%	297,042	99.7%	Zellers, Canadian Tire, No Frills, Business Depot

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Parkland Mall Yorktown, SK	Jun. 1999	100%	266,844	96.0%	Zellers, The Bay, IGA
Parkwood Place Shopping Centre Prince George, BC	Oct. 2001	50%	186,365 (372,729)	97.8%	The Bay, Overwaitea, London Drugs, Famous Players
Peninsula Village Shopping Centre South Surrey, BC	Oct. 2001	50%	85,362 (170,724)	98.2%	Safeway, London Drugs
Pine Plaza Sault Ste. Marie, ON	Jan. 1997	100%	42,380	95.5%	Food Basics
Place Carnaval Laval, QC	Apr. 1998	100%	104,233	98.8%	Super C
Place des Quatre Bourgeois Sainte Foy, QC	Jun. 1999	100%	245,223	96.3%	IGA, Winners, Rossy
Port Elgin Shopping Centre Port Elgin, ON	Jan. 1999	100%	47,076	100.0%	Zehrs, Canadian Tire*
QEW/403 Centre Burlington, ON	Aug. 2001	100%	138,304	100.0%	Ikea*, Fortino's, Sears Whole Home
Renfrew Mall Renfrew, ON	Jun. 1997	100%	137,171	93.7%	Wal-Mart, Your Independent Grocer
Richmond North Centre London, ON	May 1998	100%	105,039	100.0%	Indigo, Petsmart, Loblaws*
RioCan Centre Grande Prairie Grande Prairie, AB	May 1999	100%	191,058	95.9%	Wal-Mart*, Totem Building Supplies, London Drugs, Cineplex, Staples
RioCan Centre Kingston Kingston, ON	Nov. 1997	50%	175,187 (350,374)	100.0%	Home Depot*, Cineplex, Sears, Business Depot, Winners, Future Shop, Winners HomeSense
RioCan Centre Newmarket Newmarket, ON	Aug. 2000	40%	25,656 (64,141)	100.0%	Business Depot
RioCan Centre Sudbury Sudbury, ON	Oct. 1999	100%	152,175	100.0%	Costco*, Famous Players, Business Depot, Indigo

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
RioCan Centre Thunder Bay	Feb. 2001	100%	284,671	99.6%	Wal-Mart, Business Depot, Future Shop, Winners, Indigo
RioCan Centre Windsor	Feb. 1997	100%	236,941	100.0%	Costco*, Famous Players, Sears, The Brick, Business Depot
RioCan Colossus Centre	May 2000	40%	133,305 (363,263)	100.0%	Famous Players*, Costco*, Winners HomeSense
RioCan Colossus Centre-Rona	Nov. 2001	100%	120,972	100.0%	Rona/Revy
RioCan Durham Centre	May 1999	100%	295,795	100.0%	Costco*, Zellers*, Loblaws*, Winners, Indigo, Future Shop
RioCan Marketplace	(1)	50%	64,780 (129,560)	100.0%	Wal-Mart
RioCentre Newmarket	Sept. 2001	100%	98,751	100.0%	Dominion, Shoppers Drug Mart
RioCentre Oakville	(1)	50%	54,660 (109,320)	100.0%	A&P, Shoppers Drug Mart
RioCan Signal Hill Centre	Sept. 1996	100%	452,849	100.0%	Real Canadian Superstore*, Zellers Winners, Staples, Indigo
RioCentre Thornhill	May 2001	100%	122,938	100.0%	Loblaws, Winners
Riverbend Square Shopping Centre	May 1999	100%	137,153	100.0%	Safeway, Shoppers Drug Mart
Sainte Foy Wal-Mart	(1)	50%	101,563 (203,126)	100.0%	Wal-Mart, Famous Players
Sandalwood Square Shopping Centre	May 1999	100%	107,040	100.0%	Loblaws
St. Catharines Plaza	Oct. 1996	100%	147,008	94.0%	IGA
St. Clair Beach Shopping Centre	Dec. 1994	100%	68,143	100.0%	Zehrs

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
St. Hyacinthe Wal-Mart Centre St. Hyacinthe, QC	May 1999	100%	146,824	98.9%	Wal-Mart, Canadian Tire*, Business Depot
Sherwood Forest Mall London, ON	Jan. 1997	100%	222,120	80.4%	A&P, Shoppers Drug Mart
Shoppers World Brampton Brampton, ON	Mar. 2000	100%	628,279	94.7%	Zellers, Canadian Tire, Price Chopper, Winners, Staples, The Bay*
Shoppes at Shawnessy Calgary, AB	Jun. 1996	100%	163,004	100.0%	Zellers, Canadian Tire*
Silver City Hull Hull, QC	(1)	50%	42,295 (84,590)	100.0%	Home Depot*, Famous Players
Southgate Shopping Centre Ottawa, ON	Nov. 1996	100%	72,514	100.0%	Loeb, Shoppers Drug Mart
Southland Crossing Shopping Centre Calgary, AB	May 1999	100%	132,246	100.0%	Safeway
South Hamilton Square Hamilton, ON	Aug. 2001	100%	304,081	99.7%	Zellers, Fortino's, SportChek
South Hill Mall Prince Albert, SK	Sept. 1997	100%	202,725	56.9%	Safeway, Winners
Stratford Mall Stratford, ON	Jan. 1997	100%	149,964	100.0%	Zellers, Food Basics
Sudbury Supermall Sudbury, ON	Apr. 1996	100%	159,306	92.8%	Zellers, Your Independent Grocer*
The Junction Mission, BC	Oct. 2001	50%	126,768 (253,536)	95.5%	Save-on-Foods, Famous Players, London Drugs
Timmins Square Timmins, ON	May 2001	100%	392,039	94.5%	Wal-Mart, Zellers, Sears, No Frills
Town 'N' Country Mall Moose Jaw, SK	Sept. 1997	100%	341,804	88.8%	Zellers, Sears, Winners, Galaxy Theatres
Trafalgar Ridge Shopping Centre Oakville, ON	May 1999	100%	57,212	96.3%	Loblaws*
Trenton Wal-Mart Trenton, ON	(1)	50%	52,345 (104,690)	100.0%	Wal-Mart

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
Trinity Common Brampton	Dec. 1999	40%	260,294 (650,736)	100.0%	Home Depot*, Canadian Tire*, Zellers, Famous Players, A&P, Winners, Winners HomeSense, Future Shop, Indigo
Trinity Common Orleans	Sep. 2000	40%	70,464 (176,160)	100.0%	Home Depot*, Loeb, Winners, Business Depot
Vernon Square Shopping Centre	May 1999	100%	97,040	84.1%	Safeway*, London Drugs
Victoria Place	Sept. 1997	100%	139,533	90.7%	A&P
Village Square	Jun. 1994	100%	57,330	95.1%	Co-op*
Westgate Shopping Centre	Jan. 1997	50%	94,570 (189,140)	99.4%	Your Independent Grocer, Shoppers Drug Mart
Westminster Centre	Jan. 1997	100%	118,815	80.6%	Business Depot
Wheeler Park Centre	Sept. 1995	50%	72,738 (145,476)	100.0%	Costco*, Kent*, Loblaws*, Sears Whole Home, Famous Players, Winners, Business Depot
Willowdale Plaza	Feb. 2001	100%	99,134	98.1%	Dominion
Windsor Business Depot	Jun. 1998	100%	25,744	100.0%	Staples
Woodview Place	Aug. 1996	100%	137,542	100.0%	Miracle Ultramart, Future Shop, Indigo
6 Crockford Avenue	Dec. 1987	100%	30,000	100.0%	
12 Vodden Street	Jun. 1995	100%	32,294	100.0%	Hy & Zel's
400 Barrie Power Centre	May 1999	50%	178,312 (356,624)	100.0%	Wal-Mart, Sobeys
404 Town Centre	May 1992	100%	249,532	99.4%	Zellers, A&P

As at December 31, 2001

Property & Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq.Ft.)	% Leased	Major or Anchor Tenants
751 Upper James Hamilton, ON	Nov. 2000	100%	113,974	100.0%	Canadian Tire, Miracle Food Mart
1000 Islands Mall Brockville, ON	Mar. 1997	100%	273,735	100.0%	Wal-Mart, Your Independent Grocer, Sears
Total retail			21,936,251	95.6%	

Retail Properties Under Development	Ownership Interest	Leasable Area (Sq.Ft.)	Non-Owned Anchors	Income Producing (Sq.Ft.)	Leasable Area (Sq.Ft.) Under Development
Ajax Runnymede Ajax, ON	50%	175,000	115,000	–	27,000
RioCan Marketplace Ottawa, ON	(2)	464,000	116,000	133,000	124,000
RioCan Centre Kirkland Kirkland, QC	(2)	224,000	–	193,000	11,000
Laval Wal-Mart (Phase I & II) Laval, QC	(2)	665,000	124,000	332,000	73,000
Leamington Leamington, ON	(2)	259,000	65,000	163,000	20,000
First Warden Scarborough, ON	(2)	231,000	–	217,000	14,000
Sainte Foy Wal-Mart Sainte Foy, QC	(2)	397,000	49,000	233,000	75,000
Trenton Trenton, ON	(2)	165,000	–	105,000	–
Total retail properties under development		2,580,000	469,000	1,376,000	344,000

Note:

1. *All amounts including building square footage are shown at the percentage of the Trust's ownership interest; figures in brackets indicate building square footage at 100% ownership.*
2. *Interest is through a participating mortgage loan with a call option to acquire a 50% interest any time after substantial completion.*

** Non-owned anchor tenant*

Auditors' Report

To the Unitholders of RioCan Real Estate Investment Trust

We have audited the consolidated balance sheets of RioCan Real Estate Investment Trust as at December 31, 2001 and 2000 and the consolidated statements of earnings, unitholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the two years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, ON Canada
January 24, 2002

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public and Private Real Estate Companies. The Management of the Trust is responsible for their integrity and objectivity. To fulfill this responsibility, the Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Soberman, Isenbaum & Colomby LLP, the auditors appointed by the unitholders, have examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the consolidated financial statements. Their report as auditors is set forth herein.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. The Audit Committee, which is comprised of three trustees who are not officers of the Trust, reports to the Board of Trustees. The auditors have direct and full access to the Audit Committee.

Edward Sonshine, Q.C.
President and Chief Executive Officer

Robert Wolf
Vice President and Chief Financial Officer

Toronto, ON Canada
January 24, 2002

Consolidated Balance Sheets

(in thousands)

At December 31	2001
Assets	
Real Estate Investments	
Income properties *(Note 3)*	$2,405,053
Properties under development *(Note 4)*	45,064
Mortgages and loans receivable *(Note 6)*	194,225
	2,644,342
Rents receivable	25,002
Prepaid expenses and other assets *(Note 7)*	25,347
Cash and short-term investments	12,936
	$2,707,627
Liabilities	
Mortgages payable *(Note 8)*	$1,026,723
Debentures payable *(Note 9)*	300,000
Accounts payable and accrued liabilities *(Note 10)*	113,453
	1,440,176
Non-controlling interest *(Note 2)*	55,000
Unitholders' equity	
Unitholders' equity *(Note 11)*	1,212,451
	$2,707,627

The accompanying notes are an integral part of the financial statements

Approved by the Board of Trustees

Paul Godfrey, Chairman

Edward Sonshine, Q.C., Trustee

Consolidated Statements of Unitholders' Equity

(in thousands)

Years ended December 31	2001	2000
Balance, beginning of year	$1,160,517	$1,009,542
Net earnings	159,468	121,814
Distributions to unitholders	(154,618)	(141,137)
Unit issue proceeds	49,225	175,872
Unit issue expenses	(2,141)	(4,903)
Units purchased for cancellation	–	(671)
Balance, end of year	$1,212,451	$1,160,517
Units issued and outstanding *(Note 11)*	146,669	141,773

The accompanying notes are an integral part of the financial statements

Consolidated Statements of Earnings

(in thousands, except per unit amounts)

Years ended December 31	2001	2000
Rental revenue	$ 343,825	$ 301,394
Operating costs	117,066	105,672
Amortization of buildings	16,890	13,343
Amortization of deferred leasing costs	6,078	4,896
	140,034	123,911
Operating income from income properties	203,791	177,483
Interest and fee income	42,834	35,442
Operating income before undernoted	246,625	212,925
Interest expense *(Note 5)*	86,391	73,125
General and administrative expenses *(Note 5)*	9,258	6,360
Non-controlling interest	112	-
Operating income	150,864	133,440
Gain (loss) from real estate investments	9,704	(11,626)
Property management internalization start-up costs *(Note 17)*	(1,100)	–
Net earnings	$ 159,468	$ 121,814
Net earnings per unit – basic and diluted	$ 1.11	$ 0.93
Weighted average number of units outstanding	143,588	131,150

The accompanying notes are an integral part of the financial statements

Consolidated Statements of Cash Flows

(in thousands, except per unit amounts)

Years ended December 31	2001	2000
Cash flow provided by (used in):		
Operating activities		
Net earnings	$ 159,468	$ 121,814
Items not affecting cash		
Amortization of buildings	16,890	13,343
Amortization of deferred leasing costs	6,078	4,896
(Gain) loss from real estate investments	(9,704)	11,626
Property management internalization start-up costs	1,100	–
Funds from operations	173,832	151,679
Expenditures on deferred leasing costs	(14,025)	(14,738)
Change in other non-cash operating items	(19,926)	(3,119)
Cash flow from operating activities	139,881	133,822
Investing activities		
Acquisition of income properties	(163,094)	(132,221)
Capital expenditures on income properties and properties under development	(48,899)	(72,215)
Mortgages and loans receivable		
Advances	(36,432)	(66,714)
Repayments	128,509	65,009
Property management internalization	(3,650)	–
Proceeds from disposition of real estate investments	38,963	59,743
Cash flow used in investing activities	(84,603)	(146,398)
Financing activities		
Mortgages payable		
Borrowings	73,448	348,711
Repayments	(69,728)	(280,130)
Issue of units, net	47,083	145,742
Distributions paid	(154,886)	(140,006)
Cash flow (used in) provided by financing activities	(104,083)	74,317
Increase (decrease) in cash and equivalents	(48,805)	61,741
Cash and equivalents, beginning of year	61,741	–
Cash and equivalents, end of year	$ 12,936	$ 61,741
Other cash flow information		
Acquisition of income properties		
Through assumption of liabilities	$ 181,084	$ 54,472
Through issue of units	$ –	$ 24,556
Through extinguishment of mortgages and loans receivable	$ –	$ 11,016
Non-controlling interest	$ 55,000	$
Other non-cash items	$ 28,106	$ 38,656
Interest paid	$ 88,100	$ 74,214
Funds from operations per unit – basic and diluted	$ 1.21	$ 1.16
Cash equivalents, end of year	$ 251	$ 46,100

The accompanying notes are an integral part of the financial statements

(tabular amounts in thousands, except per unit amounts)

December 31, 2001

1 Significant accounting policies

(a) Basis of accounting

The Trust's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies, of which the Trust is a member.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Trust, its wholly-owned subsidiaries and entities over which it exercises control.

The Trust carries out certain of its activities through co-ownerships and records its proportionate share of assets, liabilities, revenue and expenses of all co-ownerships in which it participates.

Real estate investments where the Trust exercises significant influence are accounted for using the equity method. This method adjusts the original cost of an investment for the Trust's share of net income and changes in equity.

(c) Real estate investments

(i) Income properties

Income properties are stated at the lower of cost less accumulated amortization and net recoverable amount. The net recoverable amount represents the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Amortization is recorded on the buildings on a 5% forty-year sinking fund basis. Under this method, amortization is charged to income at an amount, which increases annually consisting of a fixed annual sum, together with a factor compounded at the rate of 5% per annum so as to fully amortize the buildings over a forty-year period.

Re-leasing costs and the cost of tenant improvements are deferred and amortized on a straight-line basis over the term of the respective lease.

Maintenance and repairs costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to income properties.

(ii) Properties under development

Properties under development are stated at the lower of cost and net recoverable amount. Cost includes acquisition costs, initial leasing costs, other direct costs, property taxes, interest on both specific and general debt, all operating revenue and expenses and the applicable portion of general and administrative expenses.

Capitalization of costs to properties continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level within a predetermined time limit.

(d) Debt financing costs

Costs of obtaining debt financing are deferred and amortized over the term of the related debt.

(e) Rental revenue

Rental revenue includes rents earned from tenants under lease agreements, including percentage participation rents, property tax and operating cost recoveries, incidental income and income from equity investments in income properties.

(f) Cash and equivalents

Cash and equivalents are comprised of cash and include short-term market investments with original maturities of three months or less.

(g) Incentive unit option plan

The Trust has a unit based compensation plan which is described in Note 12. No compensation expense is recognized for this plan when unit options are granted to trustees and employees. Any consideration paid by employees or trustees on exercise of unit options is credited to unitholder's equity.

(h) Financial instruments

The Trust's rents, mortgages and loans receivable (excluding purchase options), cash and short-term investments and accounts payable and accrued liabilities (excluding deferred income) are carried at cost, which approximates their fair value. The fair values of other financial instruments are disclosed in Note 16 with fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

From time to time, the Trust may enter into interest rate swap (option) transactions to modify the interest rate profile of its current or future outstanding debt without an exchange of the underlying principal amount. The difference payable or receivable on such transactions is recorded as an adjustment to the related interest cost.

The Trust does not acquire, hold, or issue derivative financial instruments for trading purposes.

2. Acquisition

On March 2, 2000 the Trust acquired a 50% interest in an entity that acquired a real estate investment ("the entity"), at which time the investment was accounted for using the equity method.

On November 30, 2001 the investor interests in the entity were restructured on terms such that the Trust gained control of the entity and has consolidated the operating results from that date. The net carrying amount of the equity investment was $20,568,000 at the date of the transaction.

The Trust's cash consideration, including the initial investment, was $32,070,000. At November 30, 2001 the fair value of the entity's net assets consisted of real estate investments of $89,438,000, less a net working capital deficiency of $2,368,000 and a non-controlling interest of $55,000,000.

3. Income properties

	Cost	Accumulated Amortization	Net Carrying Amount 2001	Net Carrying Amount
Land	$ 498,890	$ –	$ 498,890	$ 415,967
Buildings	1,897,633	(47,297)	1,850,336	1,543,738
Deferred leasing costs	46,813	(13,576)	33,237	29,7[illegible]
Equity investments in income properties	22,590	–	22,590	16,950
	$2,465,926	$ (60,873)	$2,405,053	$2,006,372

Rental revenue includes income from equity investments in income properties of $3,339,000 (2000 – $1,475,000).

4. Properties under development

Included in properties under development are carrying costs of $2,602,000 (2000 – $2,926,000). The costs to complete properties currently under development is approximately $22,600,000 (2000 – $19,000,000) all of which is to be funded through existing bank facilities.

5. Capitalization of carrying costs

	2001	2000
Interest		
Total interest incurred	$ 89,191	$ 77,380
Less: capitalized to real estate investments	(2,800)	(4,255)
Net interest expense	$ 86,391	$ 73,125
General and administrative		
Total general and administrative expenses incurred	$ 12,080	$ 9,037
Less: capitalized to real estate investments	(2,822)	(2,677)
Net general and administrative expense	$ 9,258	$ 6,360

6. Mortgages and loans receivable

	2001	2000
Mortgages and loans receivable from co-owners	$ 20,803	$ 25,406
Participating mortgages and loans receivable	137,859	186,135
Other mortgages and loans receivable	35,563	57,319
	$ 194,225	$ 268,860

Mortgages and loans receivable from co-owners bear interest at rates varying from 10% to 12% per annum with a weighted average year-end rate of 10.56% (2000 – 10.49%).

Of these mortgages and loans receivable from co-owners $11,803,000 have no fixed maturity dates and will be repaid from the cash flows generated from operating and capital transactions related to the underlying properties.

With respect to $9,000,000 of these mortgages and loans receivable from co-owners, future repayments are due between 2007 and 2008.

Participating mortgages and loans receivable bear interest at rates ranging from 10% to 12% per annum and entitle the Trust to a share of the income generated by the properties securing those mortgages ("the properties").

Of these participating mortgages and loans receivable $43,401,000 mature on the earlier of (i) ten years from the date of initial advance and (ii) subject to the borrower's right to extend for a further five years, the date of completion of the acquisition by the Trust of its 50% interest. The Trust has options to purchase (and the borrowers have options to require the Trust to purchase) a 50% interest in the properties. These options can be exercised upon the substantial completion of the properties. Prior to maturity, these participating mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from operating and capital transactions relating to the properties.

With respect to $94,458,000 of these participating mortgages and loans receivable, the Trust has options to purchase a 50% interest in the properties. The mortgages and loans receivable maturity and the options' expiry dates range from December 31, 2003 to November 10, 2005. If an option is exercised, the maturity of the mortgage and loan receivable ranges on a property-by-property basis from three years from the date the 50% interest in the property is purchased to the original maturity date of the loan. If an option is declined by the Trust or expires without exercise, the maturity of the mortgage and loan receivable is the earlier of (i) two years from the date of notice that the option is declined or (ii) its original maturity date. Prior to maturity, these participating mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from all other net cash flows relating to the properties.

Other mortgages and loans receivable bear interest at rates varying from 6.25% to 12% per annum with a weighted average year-end rate of 9.33% (2000 – 10.06%).

Future repayments are due as follows:

Year ending December 31, 2002	$ 6,873
2003	19,455
2004	–
2005	2,786
2006	3,976
Thereafter	2,473
Other mortgages and loans receivable	$ 35,563

7. Prepaid expenses and other assets

	2001	2000
Prepaid operating expenses and property taxes	$ 8,830	$ 6,941
Debt financing costs	6,149	7,407
Capital assets (net of accumulated amortization of $807)	5,105	1,504
Deferred recoverable operating costs	4,992	2,723
Other	271	477
	$ 25,347	$ 19,052

Mortgages payable

Mortgages payable bear interest at rates ranging between 4.50% and 12.95% per annum with a weighted average year-end rate of 7.35% (2000 – 7.34%) and mature between 2002 and 2020. Included in mortgages payable are amounts drawn of $25,000,000 (2000 – $Nil) against revolving lines of credit. At December 31, 2001, the Trust had revolving lines of credit totalling $120,000,000 (2000 – $120,000,000) with major Canadian financial institutions, secured by certain income properties. The facilities are subject to annual renewal. The Trust had letters of credit of $11,806,000 (2000 – $15,956,000) outstanding at December 31, 2001, of which $11,146,000 (2000 – $14,576,000) were drawn against the revolving lines of credit.

Future repayments are due as follows:

Year ending December 31, 2002	$ 188,545
2003	81,760
2004	119,223
2005	72,389
2006	58,194
Thereafter	506,612
	$1,026,723

9. Debentures payable

	2001	2000
Series A senior unsecured, initial maturity of October 31, 2002, interest bearing at 6.60% (2000 – 6.35%) per annum, payable semi-annually until initial maturity, extendible at the option of the debenture holders to October 31, 2007 at an interest rate of 7.07% per annum	$ 100,000	$ 100,000
Series B senior unsecured, maturity of April 25, 2005, interest bearing at 6.75% (2000 – 6.50%) per annum, payable semi-annually	50,000	50,000
RealFund Series A senior unsecured, maturity of August 1, 2007, interest bearing at 7.05% (2000 – 6.80%) per annum, payable semi-annually	150,000	150,000
	$ 300,000	$ 300,000

On January 18, 2002, the Trust issued $125,000,000 Series C senior unsecured debentures with an interest rate of 7.20% per annum, payable semi-annually and maturing January 18, 2006.

10. Accounts payable and accrued liabilities

	2001	[illegible]
Operating expenses	$ 38,140	$ 41,403
Tenant installation and capital expenditures	29,543	14,044
Deferred income	19,787	14,[illegible]
Distributions payable to unitholders	13,200	13,468
Accrued interest	12,783	[illegible]
	$ 113,453	$ 95,[illegible]

11. Unitholders' equity

	2001	[illegible]
Units outstanding, beginning of year	141,773	121,815
Units issued	4,003	19,940
Unit options exercised	893	103
Units repurchased and cancelled	–	[illegible]
Units outstanding, end of year	146,669	141,773

On September 26, 2001, the Trust issued 2,500,000 units at $10.50 per unit and 2,500,000 warrants (which remain outstanding at December 31, 2001), expiring on September 7, 2006 for cash consideration of $26,250,000. Each warrant entitles the holder to acquire one unit of the Trust at $11.02.

On January 5, 2000, the Trust issued 1,125,000 units at $9.65 per unit as partial consideration for the acquisition of a portfolio of four income properties. On March 1, 2000, the Trust issued 3,082,973 units at $9.05 per unit as partial consideration for an equity investment in a real estate property.

On February 28, 2000, the Trust issued 3,125,000 units at $8.00 per unit for cash consideration of $25,000,000. On October 3, 2000, the Trust issued 8,050,000 units at $9.05 per unit for cash consideration of $72,852,500. On November 30, 2000, the Trust issued 3,125,000 units at $8.50 per unit for cash consideration of $26,562,500.

During the year, 1,502,567 (2000 – 1,432,045) units were issued under the Trust's distribution re-investment and direct purchase plans for total cash consideration of $15,297,440 (2000 – $12,140,989).

During the year, 892,959 (2000 – 103,000) units were issued under the Trust's trustee and employee unit option plan for total cash consideration of $7,677,407 (2000 – $559,875).

During the year, Nil (2000 – 84,500) units were cancelled under a normal course issuer bid for total cash consideration of $Nil (2000 – $670,884).

12. Incentive unit option plan

The Trust may grant options to its employees and trustees for up to 14,000,000 units. The exercise price of each option equals the market price of the Trust's units on the date of grant and an option's maximum term is 10 years. The options vest at 20% per year from the grant date, being fully vested after four years.

A summary of the status of the Plan as at December 31, 2001 and 2000, and changes during the years ended on those dates is as follows:

	2001		2000	
Options	Units	Weighted Average Exercise Price ($)	Units	Weighted Average Exercise Price ($)
Outstanding, beginning of year	5,403	9.18	4,301	9.24
Granted	1,360	10.01	1,220	8.69
Exercised	(893)	8.60	(103)	5.44
Forfeited	(19)	10.24	(15)	9.45
Outstanding, end of year	5,851	9.46	5,403	9.18
Options exercisable at year end	3,106	9.39	2,714	9.07

The following unit options granted to employees and trustees were outstanding at the end of the year:

Exercise Price ($)	Options Outstanding	Options Vested	Expiry Date
4.8750	36	36	July 19, 2005
5.5625	1	1	November 30, 2005
5.8750	20	20	February 19, 2006
6.2500	68	68	May 30, 2006
8.4750	350	350	January 17, 2007
9.6250	395	395	June 2, 2007
10.6000	440	320	January 12, 2008
10.5000	455	362	May 25, 2008
9.3500	480	240	January 4, 2009
9.4500	1,111	631	May 31, 2009
9.5000	10	6	June 1, 2009
8.5000	500	200	January 7, 2010
8.8000	492	156	June 1, 2010
8.9000	152	56	October 4, 2010
9.2500	500	100	January 4, 2011
10.4500	841	165	May 30, 2011
	5,851	3,106	

On January 3, 2002, options to acquire 500,000 units of the Trust at a price of $12.07 were granted. The options expire January 2, 2012.

Subsequent to the year end, 1,134,000 units were issued under the Trust's trustee and employee unit option plan for total cash consideration of $10,097,713.

13. Investment in co-ownerships

The Trust's share of the assets, liabilities and earnings from co-ownership activities is summarized as follows:

	2001	
Assets	$ 275,465	$ 263,188
Liabilities	164,857	143,744
Revenue	30,992	36,837
Expenses	21,356	24,032
Net earnings	9,636	12,805
Cash flows provided by operating activities	10,874	9,670
Cash flows provided by (used in) financing activities	23,059	(4,787)
Cash flows used by investing activities	(33,247)	(3,223)

Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships in which it participates, except in certain cases. However, against any contingent liabilities in excess of its pro rata share, the Trust would have a claim upon the assets of the other co-owners. The value of the assets of each of these co-ownerships exceeds the related liabilities.

14. Distributable income

The Trust is governed by a Declaration of Trust (the "Declaration") which requires it to distribute to unitholders 90% or more of its distributable income before distributable capital gains.

Distributable income has been calculated in accordance with the Declaration, as follows:

	2001	2000
Net earnings	$ 159,468	$ 121,814
Amortization of buildings	16,890	13,343
(Gain) loss from real estate investments	(9,704)	11,626
Property management internalization start-up costs	1,100	–
Distributable income before distributable capital gains	167,754	146,783
Distributable capital gains	17,849	9,422
Distributable income	185,603	156,205
Retention of distributable income	(30,985)	(15,068)
Distributions to unitholders	$ 154,618	$ 141,137
Per unit		
Distributable income before distributable capital gains	$ 1.16800	$ 1.12000
Distributable capital gains	0.12400	0.06800
Distributable income	1.29200	1.18800
Retention of distributable income	(0.21700)	(0.11675)
Distributions to unitholders	$ 1.07500	$ 1.07125

15. Income taxes

The Trust is taxed as a Mutual Fund Trust for income tax purposes. The Trust is required by its Declaration to distribute all of its taxable income to unitholders and to deduct such distributions for income tax purposes. Accordingly, no provision for income taxes is required.

The carrying value of the Trust's net assets at December 31, 2001 exceed the tax basis by approximately $207,600,000.

Financial instruments

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages payable	$1,026,723	$1,059,882	$ 858,482	$ 865,687
Debentures payable	300,000	293,910	300,000	284,255

17. Property management internalization start-up costs

Effective July 1, 2001 the Trust internalized all property management functions for its shopping centre portfolio. These functions encompass the physical maintenance of its properties, the collection of all rents and all accounting related functions. These duties were previously performed by a number of arm's length third-party property managers.

The total costs of this initiative were $3,650,000, of which $1,100,000 has been charged to earnings during the year. The balance of costs in the amount of $2,550,000 represents expenditures for computer hardware and software and other capital assets, which will be charged to earnings over their estimated useful lives.

18. Segmented disclosures

Substantially all of the Trust's assets are in, and its revenue is derived from, the Canadian retail real estate industry segment.

No single tenant accounted for 10% or more of the Trust's rental revenue.

19. Commitments

(a) Lease commitments

The Trust is committed under long term operating leases with various expiry dates to 2023. Minimum annual rentals for the next five years are as follows:

2002	$ 808
2003	800
2004	858
2005	908
2006	881

(b) Future income properties purchases

(i) During 1999, the Trust acquired a 50% interest in an income property and the Trust will acquire a further interest representing up to, but not exceeding, an additional 40% interest in this centre on October 13, 2004.

The additional purchase price is to be calculated by valuing the property at a predetermined multiple of its net operating income on October 13, 2004, plus a predetermined amount for any rentable area vacant at that date.

(ii) During 2000, the Trust entered into an agreement to purchase the land component of an existing income property in 2002 that is currently subject to a ground lease.

The total purchase prices related to the above obligations are estimated to be as follows:

2002	$ 8,000
2004	25,000

(c) Guarantees

The Trust has guaranteed the mortgage indebtedness of third parties in the amount of $156,000,000 which expire between 2002 and 2020. The value of the assets securing these mortgages is sufficient to cover the guarantees provided.

20. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

The Toronto Stock Exchange Committee on Corporate Governance in Canada has developed a series of Guidelines for effective corporate governance. With reference to these Guidelines, the Trust is pleased to make this annual disclosure regarding its governance practices.

Board composition and responsibilities

The Board of Trustees of the Trust currently consists of seven (7) members. While there are no specific criteria for Board membership, the Trust attempts to attract and maintain Trustees with a wealth of business knowledge and a particular knowledge of retail real estate markets.

Both the Chair of the Board and the majority of members of the Board are unrelated to the Trust. The Board believes that a majority of independent Trustees promotes effective decision making and provides an objective perspective to the management of the Trust.

The Board is responsible for the ongoing strategic direction of the Trust. Decisions regarding the ongoing day-to-day management of the real estate portfolio are made by management of the Trust.

Board committees

The Board of Trustees has four committees: the Audit Committee, the Human Resources and Compensation Committee, the Governance Committee and the Investment Committee. Each committee has a mandate outlining its responsibilities and its obligations to report recommendations to the full Board. In accordance with the Guidelines, the Audit Committee, the Human Resources and Compensation Committee and the Governance Committee are composed exclusively of "outside" and "unrelated" Board members.

The Audit Committee is responsible for the integrity of the Trust's internal control systems, reviews the financial statements of the Trust and makes its recommendations to the Board before such financial statements are approved by the Board. The Audit Committee communicates directly with the Trust's external auditors to discuss and review various audit and related issues as appropriate.

The Human Resources and Compensation Committee is charged with the responsibility of reviewing and making recommendations to the Board regarding compensation of the members of the Board and the Trust's management. The Human Resources and Compensation Committee is further charged with the responsibility for senior management succession planning.

The Governance Committee is responsible for ensuring effective corporate governance. It is responsible for proposing new nominees to the Board, the assessment of Trustees on an ongoing basis and assessing the effectiveness of the Board as a whole and its committees.

The Investment Committee is charged with the responsibility of evaluating and deciding upon acquisitions and dispositions for the Trust.

Senior management of RioCan Real Estate Investment Trust

Edward Sonshine, Q.C.
President & Chief Executive Officer

Frederic A. Waks
Senior Vice President & Chief Operating Officer

Robert Wolf
Vice President & Chief Financial Officer

Therese Cornelissen
Vice President, Financial Reporting

Bob Heike
Vice President, Business Development

Danny Kissoon
Vice President, Operations

Donald R. MacKinnon
Vice President, Real Estate Finance

Katy Ritcey
Vice President, Investments

Jeff Ross
Vice President, Leasing

Board of trustees

[1] *Member of the Audit Committee*
[2] *Member of the Human Resources & Compensation Committee*
[3] *Member of the Governance Committee*
[4] *Member of the Investment Committee*

Head office

RioCan Real Estate Investment Trust

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Maggie Sagadore
Investor Relations Administrator
Tel: 416-866-3022
E-mail: msagadore@riocan.com

Auditors

Soberman, Isenbaum & Colomby LLP

Transfer agent & registrar

CIBC Mellon Trust Company

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Answerline at 1-800-387-0825 or 416-643-5500
Fax: 416-643-5501
Website: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com

Unit listing

The units are listed on The Toronto Stock Exchange under the symbol REI.UN.

Annual meeting

The 2001 annual unitholders' meeting of RioCan REIT will be held on May 30, 2002 at 4:00 p.m. in the Imperial Room of The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario. All unitholders are invited and encouraged to attend.

On peut obtenir une version française du présent rapport annuel sur le site web de RioCan : www.riocan.com

A French language version of this annual report is available on the RioCan Website: www.riocan.com

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RioCan Real Estate Investment Trust

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